

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Internal Patent Application of)

Asil T. Gokcebay et al.)

Serial No.: 09/595,388)

Filed: June 14, 2000)

For: CONVENTIONAL MECHANICAL)
LOCK CYLINDERS AND KEYS)
WITH ELECTRONIC ACCESS)
CONTROL FEATURE)

Examiner: Edwin C. Holloway

Group Art Unit: 2835

File No: 537P

Tiburon, California

Hon. Commissioner of Patents
P.O. Box 1450
Alexandria, Virginia 22313-1450

Sir:

EV 611915451 US

I HEREBY CERTIFY THAT THIS CORRESPONDENCE IS BEING
DEPOSITED WITH THE UNITED STATES POSTAL SERVICE AS
EXPRESS MAIL IN AN ENVELOPE ADDRESSED TO:
COMMISSIONER OF PATENTS, P.O. BOX 1450,
ALEXANDRIA, VIRGINIA 22313-1450

ON Sept. 30, 2004

THOMAS M. FREIBURGER No. 27,063

SIGNED Thomas M. Freiburger

DATE 9-30-04

RECEIVED
OCT 07 2004
TECH CENTER 2800

DECLARATION OF ASIL T. GOKCEBAY
UNDER 37 CFR § 1.132

Asil T. Gokcebay declares and states as follows:

1. I am one of the two inventors in the patent application identified above. I am very familiar with the content of the application, including the claims. I am inventor in over 12 patents in the field of electronic locks and keys.

2. A mechanical key with electronic identification

device in the key head, in the form of a self-contained, sealed can unit with a conductive metal casing, and with the key having an isolated contact connected to the data side of the sealed can identification device, such isolated contact being in position to engage with a key reading contact of a key slot such as on a lock, is recited in claim 1 of the patent application. Such a mechanical key has been marketed under license, commencing several years ago, and has enjoyed considerable commercial success.

3. This invention and the patent application are assigned to Security People, Inc., which licensed products under several patents and applications to Schlage Lock Company in 1998. Schlage Lock is the largest lock maker in the world, and has approximately 60% of the U.S. market for locks and keys. The license includes products which are covered by the claims of the current patent application, including claim 1, 15, 18 and 25 and most dependent claims. Schlage Lock's license from Security People, Inc. covers keys such as in claim 1 and locks which are accessed by such keys.

4. The current patent application includes subject matter continuing through a chain of several previous applications back to Serial No. 836,206, filed February 14, 1992 (now U.S. Patent No. 5,367,295). That continuing

subject matter includes the subject matter of independent claims 1, 15, 18 and 25 of the current application, and many of the dependent claims.

5. The licensee, Schlage Lock Company, went through several years of tooling and test production toward the manufacture and sale of a line of products, including the mechanical/electronic key of this invention and patent application. The keys of the invention were not introduced by Schlage to the market until spring 2001.

6. The subject keys and locks of Schlage are shown on Schlage's website at www.schlagelock.com (Click on "e-bolt"). Attached as Exhibit 1 to this declaration is a printout from the Schlage website showing the product line with the keys covered by claim 1 and other claims of this application. The keys of Exhibit 1 have the following features:

- a mechanical key blade with mechanical bitting to fit a pattern of a lock (blade is not yet cut in web pictures);
- a key head solidly fixed to the key blade and having a front end from which the key blade extends;
- a memory cell electronic ID device (not seen under the plastic cover), grounded on one side

to the metal key and with a data side isolated from the metal key head, the memory cell being a self-contained, sealed can unit with a conductive metal casing and having serial number ID data in a one-wire bus protocol, and the casing having only two terminals on two opposed sides;

- the key has a data contact isolated from the key metal and positioned to engage with a key reading contact associated with a key slot when inserted therein, the data contact being connected to the data side of the self-contained can unit ID device (see extending pin at front end of key head).

7. No sales of the subject key of Schlage were made until May 2001. Sales figures for the locks and keys are shown on the tables of Exhibit 2 (4 pages).

8. Exhibit 2 shows sales through March 2004 of about \$2 million, at wholesale. The sales dollar figures attributable to keys of the invention and covered by the claims would be approximately \$120,000. In numbers of units, approximately 25,000 keys¹ covered by the claims have been

¹ Projecting the 2002 figures and with an estimated calculation for 2001 figures.

sold by Schlage, from May 2001 through the first quarter of 2004. These are impressive sales for a key/access control product newly introduced in the market so recently.

9. The figures for the year 2001 show sales beginning in May and increasing from about \$8000 of total sales in May to almost \$56,000 total sales in December, for a total of about \$238,000 in net sales for 2001. In 2002, for which figures through September are reported (October - December sales were not available as this declaration was prepared), sales for nine months were about \$886,000. Beginning in 2002 the number of keys sold is specifically listed, as 10-user key packs. The figures for 2002 thus show 7860 keys were sold within the first nine months of that year. By a calculated estimation, these sales of keys for nine months of 2002 would compare to about 2100 to 2200 keys sold in eight months of 2001. In 2003 the sales figures continued to rise, but in June 2003 Schlage Lock discontinued selling the product for about six months because the company decided to postpone sales to await a retooling to solve some manufacturing problems. Thus, through June 2003 sales of deadbolts climbed to about \$530,000, with no further deadbolts sold after June. Some keys continued to be sold June through December 2003, as spare sets, etc., although sales were much lower because of the discontinuance of the

deadbolts for that six months. About 10,300 keys were sold in 2003, representing essentially sales over about five months when the full systems were being sold. Sales commenced again in January 2004, as shown in the chart. Through the first quarter of 2004, total sales of the systems including the keys amounted to about \$279,000. 170 10-user key packs were sold in those three months, for a total of 1700 keys. These figures in part reflect the situation re-starting sales after a hiatus of over six months. In addition, Schlage Lock informed me they were deliberately going slowly on sales for the first few months, selling in only certain markets, to test the retooled product.

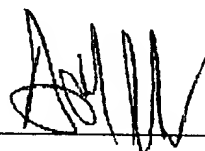
10. The sales listed in Exhibit 2, and the commercial success of the access control system being sold by Schlage Lock, are in very strong part attributable to the key being claimed in the current patent application. The key's low cost, approximately \$6.50 at wholesale, contributed in a large way to the sales. The key's low cost is attributed to the way in which it is made, which is pursuant to claim 1 and other claims of this patent application. The key is easy to manufacture because of the use of the sealed can unit containing the ID chip and its attachment to the key, with the key head encased in a simple plastic cover. A comparably functioning electronic access control key costs five to ten

times as much. An example is a key for the CyberLock system, which sells for about \$45.00 at wholesale. As shown in the sales charts of Exhibit 2, the Schlage locks sell at wholesale for about \$65.00, and with a key, the wholesale cost is less than \$75.00, which translates to about \$150.00 retail for a lock and key. By comparison, any competing electronic access control system, including a lock and key, costs a minimum of about \$500.00 per door. The key is a very important component in this cost reduction due to its construction as defined in the claims of this patent application. In the applicant's license agreement with Schlage Lock, the key with its features as in the present claims is probably the principal component, since by the definition of licensed products in the license agreement the locks can vary considerably in construction, but the key must be essentially as in the claims, and in fact the key has been and is being produced in accordance with the claims (all claims except claims 12, 13, 22, 23 and 24). Another reason for the commercial success of the subject lock and key system is that the key comprises a mechanical key blade that can be cut for other locks which are purely mechanical, for mechanical-only access to those locks, while electronic access control is applied to certain locks. Thus, the key of the invention can be used in locks which do not read the electronic ID from the key. This provides important

versatility in many applications of access control systems.

I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Date: 9-30-04



Asil T. Gokcebay